

Revenue Estimates and Assumptions

"SP" & "Federal Program" Six-Year Plan (Projects vs Funding)

2007

2006

2005

2004

2003

2002

Revenue Assumptions for Recommended FY 2003-2004 Biennial Highway Program and Identified Projects for FY 2005-2008

The FY 2003-2008 edition of the Six-Year Highway Plan is predicated upon a number of assumptions about the revenue stream that is expected for future federal and state highway construction programs administered by the Kentucky Transportation Cabinet (KYTC). The following discussion is given as a brief overview of the scope and magnitude of these assumptions. To simplify this discussion, federal revenue assumptions are provided in Section 1, followed by state revenue assumptions in Section 2, with the “combined effect” of both presented in Section 3. A “key” to the funding category acronyms can be found at the beginning of the individual project listing found later in this document.

Section 1: Federal Revenue Assumptions

The primary basis for FY 2003-2008 federal revenue forecasts is the Transportation Equity Act for the 21st Century (TEA-21). TEA-21 was enacted by the United States Congress in 1998 and provides identified levels of funding through 2003. Baseline funding levels from TEA-21 formulas have been calculated for every state by the Federal Highway Administration (FHWA), and formula dollars and special allocations to Kentucky have been determined from FHWA tables. The FHWA has also calculated “equity adjustments” attributable to Kentucky, due to Kentucky’s “donor state” status (Kentuckians pay more tax dollars into the federal Highway Trust Fund than they receive back from it). The combination of base formula federal funds and equity adjustments were then supplemented by Cabinet estimates of federal “Revenue Aligned Budget Authority” (RABA) to determine a final level of annual federal-aid highway funding that can be reasonably expected. RABA funds are annual adjustments based upon the degree to which federal Highway Trust Fund collections exceed anticipated amounts. TEA-21 directed that any such excess be returned to the states.

Funding Chart 1 contains the “Estimated Federal Apportionments for 2003-2008.” The formula funding categories of Interstate Maintenance (IM), National Highways (NH), Surface Transportation Program (STP), Bridge Replacement (BR), Congestion Mitigation (CM), Appalachian Development (APD), High Priority Projects (HPP), and Minimum Guarantee (MG, the equity adjustment) are shown to the left of the sheet. Base amounts and RABA are then totaled to yield a dollar amount for each funding category each year. According to preliminary estimates from the President’s Office of Management (OMB), RABA

is expected to nosedive in 2003. Due to the sagging national economy, Federal Highway Trust Fund receipts are projected to erase the positive contributions of RABA, and could serve to drive RABA in a negative direction for the first time since TEA-21 was enacted. For the purposes of estimating federal-aid highway funds attributable to Kentucky, KYTC elected to assume that RABA would equal “zero” for the years covered by this edition of the Six-Year Highway Plan. In addition to the dire forecasts for RABA in 2003, we also cannot predict how the RABA “firewall” will fare during the 2003 congressional reauthorization of federal highway programs. Given budgetary pressures across the federal budget, it is highly conceivable that the RABA provisions could be lost as the authorizers debate future funding for transportation in America.

Across the bottom of Funding Chart 1 is a breakdown of the base categorical funding levels in the Six-Year Highway Plan, as those categories are affected by federal “sub-allocation” processes. Federal Highway Trust Fund formulas often contain directives to “set aside,” or sub-allocate, specific amounts. The STP category has a 10% set-aside for safety programs (hazard elimination (HES), rail-highway protective devices (RRP), and rail-highway grade separations (RRS)), a 10% set-aside for transportation enhancement (TE) projects, and dedicated amounts to Louisville (SLO), Lexington (SLX), and Northern Kentucky (SNK). These takedowns yield a balance of actual STP funds available for the Six-Year Highway Plan that is supplemented by MG moneys to yield the final STP federal dollar amount programmed for each year. The final breakdown shown in this table involves the bridge replacement category. Federal law requires that 65% of the federal bridge money be spent on major routes, 15% be spent on county roads, and the remaining 20% can be used on either highway system.

Once all of these assumptions are brought together, Funding Chart 2 displays the resulting final estimated apportionments and state and local matching amounts. This chart details the expected federal, state, and local contributions to Kentucky’s annual highway program for each year through 2008. The total funds (federal plus state and/or local match) are the target amounts that are used to fiscally balance the Six-Year Highway Plan.

Section 2: State Fund Revenue Assumptions

Funding Chart 3 outlines the assumptions supporting the State Road Fund revenues expected to be available for the Six-Year Highway Plan. The base Road Fund revenues projected to be available for highway construction are determined after revenue sharing, routine maintenance, resurfacing, general administration, vehicle regulation, debt service, capital construction, and other needs are met. Remaining amounts are funneled to the Six-Year Highway Plan to match federal funds and engage in state-funded highway project activities. The final Six-Year Highway Plan funding levels from both state and federal sources are shown in Funding Chart 4.

Section 3: Federal and State Assumptions in Concert

Federal and state highway project funding for FY 2003-2008 totals \$4.7 billion. It is important to note that Kentucky has utilized federal pre-financing provisions heavily and continues to roll a consistent level of these carry-forward obligations from year-to-year. At the end of FY 2001, Kentucky had prefinanced some \$285 million in federally funded projects, supporting the associated project billings from State Road Fund cash until the federal share of these costs could be billed to the federal government the following year. By using this funding mechanism, Kentucky has maximized its ability to return federal dollars to the state more quickly, while at the same time accelerating many federal highway projects. Federal pre-financing does not hamper or impede state highway project funding in any way.

Another funding mechanism that is utilized by this edition of the Six-Year Highway Plan is the use of State Road Fund cash to support state projects ahead of normal authorization schedules. State pre-financing involves constantly monitoring State Road Fund cash reserves to activate projects ahead of schedule whenever possible. The FY 2003-2008 Six-Year Highway Plan's "SP" element is over-programmed by approximately \$1.2 billion in expectation of drawing down cash reserves to cover some of the advanced project commitments. This drawdown is a one-time opportunity that will keep future cash reserves at a lower, but adequate, level while maximizing the Kentucky Transportation Cabinet's ability to deliver highway improvements as quickly as possible. KYTC expects that the Road Fund cash pre-financing program alone will not permit all of the Six-Year Highway Plan "SP" projects to be pursued by 2008. If the economy rebounds, however, the relative project priorities established in this Plan will serve to effectively guide Kentucky into the future.

It is also important to note that KYTC will explore all opportunities to use innovative financing options permitted under federal transportation law. In particular, it may become prudent to use GARVEEs (Grant Anticipated Revenue Vehicles) to accelerate federal funding of dedicated programs like the Appalachian Development (APD) Highway Program. GARVEEs use the principle of guaranteed future federal-aid highway revenues as a mechanism to support the sale of revenue bonds for specific projects. While we are not expressly requesting such authority at this time, KYTC is pursuing state legislation that would permit the use of such revenue vehicles in the future.

FUNDING CHART 1

Estimated Federal Apportionments for 2003 - 2008 6YP

(Base amounts include distribution of Minimum Guarantee Equity Funds)
(Federal Dollars)

	2002			2003			2004			2005			2006			2007 & 2008		
	BASE (INCL MG)	RABA	TOTAL	BASE (INCL MG)	RABA	TOTAL	BASE (INCL MG)	RABA	TOTAL	BASE (INCL MG)	RABA	TOTAL	BASE (INCL MG)	RABA	TOTAL	BASE (INCL MG)	RABA	TOTAL
IM	83.4	14.3	97.7	91.1	0.0	91.1	91.1	0.0	91.1	91.1	0.0	91.1	91.1	0.0	91.1	91.1	0.0	91.1
NH	92.7	16.0	108.7	100.6	0.0	100.6	100.6	0.0	100.6	100.6	0.0	100.6	100.6	0.0	100.6	100.6	0.0	100.6
STP	108.2	18.3	126.5	123.9	0.0	123.9	123.9	0.0	123.9	123.9	0.0	123.9	123.9	0.0	123.9	123.9	0.0	123.9
BR	61.4	10.6	72.0	46.9	0.0	46.9	46.9	0.0	46.9	46.9	0.0	46.9	46.9	0.0	46.9	46.9	0.0	46.9
CM	10.7	1.9	12.6	12.6	0.0	12.6	12.6	0.0	12.6	12.6	0.0	12.6	12.6	0.0	12.6	12.6	0.0	12.6
APD	84.8	--	84.8	44.8	--	44.8	44.8	--	44.8	44.8	--	44.8	44.8	--	44.8	44.8	--	44.8
HPP + KYD	112.3	--	112.3	27.5	--	27.5	0.0	--	0.0	0.0	--	0.0	0.0	--	0.0	0.0	--	0.0
MG	35.0	--	35.0	45.1	--	45.1	45.1	--	45.1	45.1	--	45.1	45.1	--	45.1	45.1	--	45.1

Actual RABA 2002 = \$4.5 Billion
Estimated RABA = \$0.0 Billion (03)
\$0.0 Billion (04)
\$0.0 Billion (05)
\$0.0 Billion (06)
\$0.0 Billion (07)
\$0.0 Billion (08)

STP Breakdown

	6YP SAF	6YP TE	SLO, SLX, SNK (METRO)	6YP STP	TOTAL
2002	12.6	12.6	19.2	82.1	126.5
2003	12.4	12.4	17.4	81.7	123.9
2004	12.4	12.4	17.4	81.7	123.9
2005	12.4	12.4	17.4	81.7	123.9
2006	12.4	12.4	17.4	81.7	123.9
2007	12.4	12.4	17.4	81.7	123.9
2008	12.4	12.4	17.4	81.7	123.9

STP for 6YP

	STP	MG*	TOTAL
2002	82.1	35.0	117.1
2003	81.7	45.1	126.8
2004	81.7	45.1	126.8
2005	81.7	45.1	126.8
2006	81.7	45.1	126.8
2007	81.7	45.1	126.8
2008	81.7	45.1	126.8

* Minimum Guarantee funds available for use in any category and are included in the 6YP "STP" funds.

BR Breakdown

	65% BRO	25% BRX	15% BRZ
2002	46.8	18.0	10.8
2003	30.5	11.7	7.0
2004	30.5	11.7	7.0
2005	30.5	11.7	7.0
2006	30.5	11.7	7.0
2007	30.5	11.7	7.0
2008	30.5	11.7	7.0

FUNDING CHART 2

Estimated Federal Apportionments and Required State & Local Match 2003 - 2008 (\$ millions)

	2003				2004				2005				2006				2007				2008			
	Federal	State	Local	TOTAL	Federal	State	Local	TOTAL	Federal	State	Local	TOTAL	Federal	State	Local	TOTAL	Federal	State	Local	TOTAL	Federal	State	Local	TOTAL
IM	91.1	10.1	0.0	101.2	91.1	10.1	0.0	101.2	91.1	10.1	0.0	101.2	91.1	10.1	0.0	101.2	91.1	10.1	0.0	101.2	91.1	10.1	0.0	101.2
NH	100.6	25.1	0.0	125.7	100.6	25.1	0.0	125.7	100.6	25.1	0.0	125.7	100.6	25.1	0.0	125.7	100.6	25.1	0.0	125.7	100.6	25.1	0.0	125.7
STP	126.8	31.7	0.0	158.5	126.8	31.7	0.0	158.5	126.8	31.7	0.0	158.5	126.8	31.7	0.0	158.5	126.8	31.7	0.0	158.5	126.8	31.7	0.0	158.5
BRO	30.5	7.6	0.0	38.1	30.5	7.6	0.0	38.1	30.5	7.6	0.0	38.1	30.5	7.6	0.0	38.1	30.5	7.6	0.0	38.1	30.5	7.6	0.0	38.1
BRX	11.7	3.0	0.0	14.7	11.7	3.0	0.0	14.7	11.7	3.0	0.0	14.7	11.7	3.0	0.0	14.7	11.7	3.0	0.0	14.7	11.7	3.0	0.0	14.7
BRZ	7.0	1.7	0.0	8.7	7.0	1.7	0.0	8.7	7.0	1.7	0.0	8.7	7.0	1.7	0.0	8.7	7.0	1.7	0.0	8.7	7.0	1.7	0.0	8.7
CM	12.6	3.2	0.0	15.8	12.6	3.2	0.0	15.8	12.6	3.2	0.0	15.8	12.6	3.2	0.0	15.8	12.6	3.2	0.0	15.8	12.6	3.2	0.0	15.8
SAF	12.4	3.2	0.0	15.6	12.4	3.2	0.0	15.6	12.4	3.2	0.0	15.6	12.4	3.2	0.0	15.6	12.4	3.2	0.0	15.6	12.4	3.2	0.0	15.6
TE	12.4	0.7	2.5	15.6	12.4	0.7	2.5	15.6	12.4	0.7	2.5	15.6	12.4	0.7	2.5	15.6	12.4	0.7	2.5	15.6	12.4	0.7	2.5	15.6
METRO	17.4	3.0	1.3	21.7	17.4	3.0	1.3	21.7	17.4	3.0	1.3	21.7	17.4	3.0	1.3	21.7	17.4	3.0	1.3	21.7	17.4	3.0	1.3	21.7
APD	44.8	11.2	0.0	56.0	44.8	11.2	0.0	56.0	44.8	11.2	0.0	56.0	44.8	11.2	0.0	56.0	44.8	11.2	0.0	56.0	44.8	11.2	0.0	56.0
HPP	27.5	6.9	0.0	34.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
FH	0.3	0.0	0.0	0.3	0.5	0.0	0.0	0.5	0.5	0.0	0.0	0.5	0.5	0.0	0.0	0.5	0.5	0.0	0.0	0.5	0.5	0.0	0.0	0.5
TOTALS	495.1	107.4	3.8	606.3	467.8	100.5	3.8	572.1	467.8	100.5	3.8	572.1	467.8	100.5	3.8	572.1	467.8	100.5	3.8	572.1	467.8	100.5	3.8	572.1

FUNDING CHART 3

State Construction ("SP") Amounts Projected to be Available for the FY 2003 thru 2008 Six-Year Highway Plan

(as estimated by the Kentucky Transportation Cabinet)
(\$ millions)

	2003	2004	2005	2006	2007	2008	TOTAL
State Construction under current revenue structure . . .	152.2	160.2	191.6	196.7	223.3	230.2	1,154.2

FUNDING CHART 4

Federal and State Six-Year Highway Plan Funding Levels From 2003 thru 2008

(as estimated by the Kentucky Transportation Cabinet)
(\$ millions)

	2003	2004	2005	2006	2007	2008	TOTAL
Federal	502.2	499.9	499.2	487.3	463.6	463.6	2,915.8
State & Local Match	112.9	112.3	112.1	109.2	103.3	103.3	653.1
State Construction	152.2	160.2	191.6	196.7	223.3	230.2	1,154.2
TOTAL	767.3	772.4	802.9	793.2	790.2	797.1	4,723.1